Application of Wisconsin Energy Corporation for Approval to Acquire the Outstanding Common Stock of Integrys Energy Group, Inc.
PSCW Docket No. 9400-YO-100

Joint Applicants' Response to
Staff's First Data Request
Dated: September 5, 2014

REQUEST NO. PSCW-01.06:

The post-closing structure consists of WEC Energy Group, Inc. and its first tier subsidiaries Wisconsin Electric Power Company (WEPCO), Wisconsin Gas LLC (WG), ATC Holding LLC, WEC Business Services LLC, We Power LLC, and Integrys, Inc. Integrys Inc., is a sub-holding company which contains Wisconsin Public Service Corporation (WPSC), WPS Investments LLC, Minnesota Energy Resources Corporation (MERC), Michigan Gas Utilities Corporation (MGUC), IES (Solar), and Peoples Energy, LLC. Peoples Energy, LLC is a sub-sub-holding company containing The Peoples Gas Light & Coke Company (Peoples), North Shore Gas Company (North Shore), and Integrys Transportation Fuels, LLC (which contains Trillium USA (CNG)).

a. How long does the Company plan to continue the post holding company structure with its sub and sub-sub holding companies? That structure implies WPSC, MERC and MGUC are second tier subsidiaries. Peoples and North Shore are third tier subsidiaries while WEPCO and WG are first tier subsidiaries.

b. Are there any tax implications related to the chosen structures? If so, provide a detailed explanation of the tax implications and when such implications sunset.

RESPONSE:

a. Company currently has no plans to change the structure following the proposed transaction.

b. As currently structured, the proposed transaction qualifies as a "reorganization" under Section 368(a)(2)(D) of the Internal Revenue Code, which is generally tax-free to shareholders to the extent of the stock consideration they receive. As a "forward triangular merger" transaction under Section 368(a)(2)(D), the Company expects that the only taxable gain recognized on the transaction will be on behalf of the Integrys shareholders to the extent they receive cash in the exchange. However, certain post-transaction restructurings can jeopardize the tax-free treatment. For example, the Company cannot have a current plan to liquidate the surviving merger subsidiary after the transaction and still have the transaction qualify as a reorganization under Section 368(a)(2)(D). As such, the Company currently has no plans to change the structure following the proposed transaction.

Answered by: David Hughes